

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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## Agricultural Land Base Rates For The Assessment Dates: March 1, 2005 – 2013

Data Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Tax Year												
13 pay 14							\$1,760					
12 pay 13						\$1,630						
11 pay 12					\$1,500							
10 pay 11				\$1,290 ***								
09 pay 10			\$1,250									
08 pay 09		\$1,200										
07 pay 08	\$1,140**											
06 pay 07		\$880*										
05 pay 06	\$880											

The Agricultural Land Base Rate calculation was first established for the 2002 general reassessment and was developed in compliance with the St. John's court case using the methodology described below. The statute related to the base rate calculation can be found at IC 6-1.1-4-4.5(e).

The calculations made for 2007 payable in 2008 through 2013 payable in 2014 are based on a rolling six-year average of market value in use. Prior calculations were made based on a four-year rolling average. As illustrated in the following equation, the market value in use of agricultural land is calculated by dividing the net income of each acre by the appropriate capitalization rate.

$$\text{Market value in use} = \text{Net Income} / \text{Capitalization Rate}$$

The change in market value in use is based on changes in cash rent, yields, production costs, market prices and interest rates. For example, the change for 2013 pay 2014 was the result of the removal of the 2004 data and the addition of the 2010 data.

Net Cash Rents increased from \$104 in 2004 to \$161 on 2010. While yields for corn decreased from 168 bushels in 2004 to 157 bushels in 2010 and yields for soybeans decreased from 51.5 bushels in 2004 to 48.5 bushels in 2010, prices for corn increased considerably from \$2.53 in 2004 to \$3.65 in 2010 (market year average) and prices for soybeans also increased considerably from \$7.67 in 2004 to \$9.80 in 2010 (market year average). The net effect of the higher prices and decreased yields resulted in a sizable increase in profits. Interest rates also dropped from 6.35% in 2004 to 5.97% in 2010, which would increase market value under the income approach.

### **\*\*\*March 1, 2010 payable in 2011:**

Senate Enrolled Act (SEA) 396 required the elimination of the highest year of the six years of data from the calculation.

### **\*\*March 1, 2007 payable in 2008:**

Senate Enrolled Act (SEA) 327 required changing the four-year rolling average to a six-year rolling average.

### **\*March 1, 2006 payable in 2007**

SEA 327 froze the base rate for the March 1, 2006 assessment date at \$880.